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5 MAY 1991

MEMORANDUM FOR: Director of Logistics

FROM: [REDACTED]

SUBJECT: Transfer of Responsibility [REDACTED]
from the General Services Administration
(GSA) to CIA

1. This memorandum presents the results of a study of the implications of CIA taking over responsibility for operating [REDACTED] Paragraph 11 contains the conclusions reached in the study.

2. Introduction: For years CIA has been dissatisfied with the quality of support provided [REDACTED] by GSA. Repeated requests to GSA to augment or dedicate their work forces [REDACTED] or to permit CIA to take over operations have been rejected. This past February, in response to another CIA request, the GSA Regional Administrator expressed his willingness to transfer all responsibility for the building to CIA. The change in GSA's position reflects their deep concern over continuing reductions in financial and personnel resources that are now limiting their capability to provide support. Since February, we have worked with GSA to ascertain the feasibility and cost of a transfer. Summarized below are discussions of costs, benefits, alternatives, and implementing considerations.

3. Scope: A working assumption of the study was that it would be unrealistic to expect approximately 100 new positions to carry out building operations and that CIA would contract for the services being provided by GSA. The methodology adopted, then, was to compare operations as they exist now under GSA control with operations under CIA control, utilizing a single Operations and Maintenance (O&M) contractor to provide custodial, maintenance, and protective (guard) services. The Office of Security has determined that commercially hired guards should not be used and that the guards must be either CIA staff or contract staff employees. Costs, which are presented in FY-1981 dollars for comparison purposes, reflect the use of a single O&M contract. Adjustments necessitated by the use of staff or contract staff guards are noted. The study does not cover any aspect of the construction and operation of the addition to the building now being designed. Additional CIA resources will be required for operations when the building is completed, regardless of whether CIA or GSA is in control.

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4. Operating Cost: Although the GSA accounting system does not accurately track costs [] FY-1981 operating costs are estimated at \$5.7 million (Attachment A). CIA payments to GSA [] Standard Level User Charge (SLUC) and reimbursable work total \$6.3 million. Under CIA control and contracting for all services, the estimated cost of operations is \$7.2 million, plus \$.5 million in one-time start-up expense (Attachment B). The increase in total outlays by CIA is attributable to an increase of 15 percent in staffing levels, more attractive pay scales to ensure a stable work force of competent contractor employees, and a provision to pay contractor employees awaiting security clearance (10 percent of labor costs). An analysis of contract costs (Attachment C) reveals that personal services provided by an overall O&M contractor will cost \$4.2 million, double personal services costs presently incurred by GSA. The use of staff or contract staff employees as guards can be expected to reduce the overall cost to CIA by about \$480,000 (Attachment D).

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5. Capital Cost: There are two categories of capital cost, programmed and unprogrammed, associated with the operation [] Both can have a sizable impact on CIA resources.

a. Programmed: GSA presently programs and funds routine, predictable major repairs and improvements, such as the replacement 1200-ton chiller now being installed and the second chiller slated for funding (at \$420,000) this year. Unfunded requirements totaling more than \$1 million have been identified by CIA and/or GSA (Attachment E). With the utility system [] now exceeding its original design life, CIA has identified a requirement to refurbish the system in FY-1985/6 at a cost of \$2 million each year. Smoothing these requirements indicates an average annual cost for major capital expense in excess of \$600,000. To some extent, programmed capital expenses are reflected in the Repair and Alteration (R&A) portion of the Operating Budget (Attachment A). However, R&A requirements are usually underfunded in GSA budgets.

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b. Unprogrammed: A very real, but undetermined, cost of CIA assuming responsibility from GSA is the loss of what amounts to an insurance policy for the physical plant. The GSA R&A program is responsible for correcting failures, drawing on pooled financial and manpower resources established for that purpose. CIA has no such "shared risk" pool with which to augment

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operating resources when major failures unexpectedly occur. Given the age [redacted] (40 years) and the plant equipment (20 years), major failures should not be unexpected. The construction of a Metro subway line adjacent to the building will increase the risk of catastrophic failure to the structure. Lacking a contingency fund to cover this type of low-probability, high-cost occurrence, CIA must be prepared to cover such costs from annual operating budgets.

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6. Operational Considerations:

a. Security: The Office of Security has determined that guard service [redacted] must be provided by either the GSA Federal Protective Service or staff or contract staff CIA employees. GSA has stated that we assume all building responsibilities or none, eliminating the possibility of using GSA guards and a CIA O&M contractor. Both staff and contract staff guards require positions within the CIA ceiling.

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b. Concessions: Cafeteria, barber shop, and vending machine services are presently provided by Government Services, Incorporated (GSI), under the terms of an agreement between GSA and GSI. Cost and staffing analysis in this study are predicated on retaining concessions on a self-supporting basis separate from the O&M contract.

c. Reimbursables: There are in excess of \$1 million in outstanding reimbursable work orders obligated on CIA records. Funds for work not accomplished when operating authority shifts to CIA can be refunded to CIA by GSA and used for the originally intended purpose, fiscal year limitations notwithstanding.

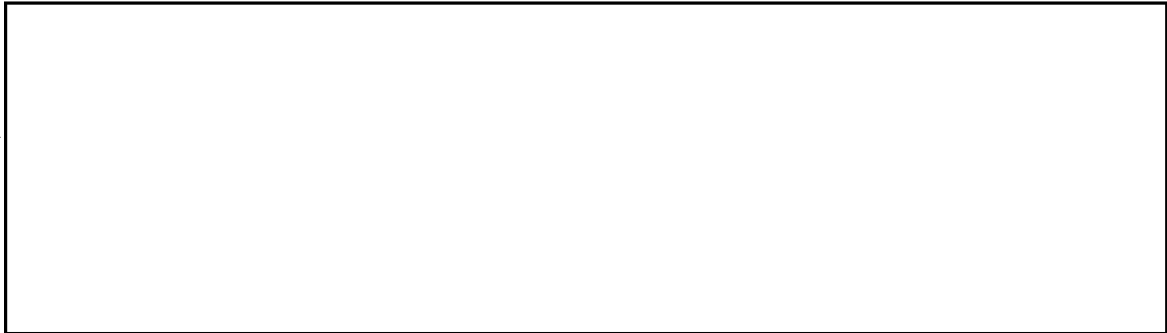
d. CIA Staffing: No increase in CIA logistics staffing is anticipated as a result of a shift from GSA to an overall O&M contractor. If, however, the security segment is accomplished by staff or contract staff employees, 34 new positions will be required.

e. Programming of Projects: A valuable feature of GSA involvement in building operations is that funds transferred to GSA by CIA for repairs and alterations are considered obligated by CIA. It is not necessary for work to be under actual contract to avoid loss due to fiscal year limits. Within GSA, R&A funds carry no fiscal year designation. By taking over the building, CIA loses a great deal of the flexibility GSA has to accommodate other Government agency funds without

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respect to fiscal year limitations. Great care will have to be exercised to ensure that design and construction funds are available and obligated on schedule. In particular, the ability to utilize end-of-year funds will be impaired.



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7. Benefit: By taking over responsibility [redacted] and relying on an O&M contractor, CIA can expect to obtain (1) a service organization dedicated to CIA requirements, (2) better qualified and motivated personnel, and (3) more personnel. With the combination of higher employee productivity and increased productive hours worked, we anticipate a minimum of 20 percent and a possible 50 percent improvement in service levels. The effectiveness of the O&M contractor should be reflected by a rapid reduction in backlogged maintenance and a visible improvement in the appearance and condition of the facility. Once the building is in the condition desired by CIA, the amount of effort required to maintain the building should drop. Any surplus of contractor employees thus generated should be absorbed by the operating requirements of the new addition. The use of staff or contract staff guards will add an intangible 'better security' to the above benefits.

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8. Timing: If a decision is made to take over [redacted] operations, we do not expect a contractor to be prepared for full responsibility within 12 months. In the operation of the utility plant in particular, the contractor may not be fully staffed for 18 months, based on recruiting experience of one of our facility contractors. Time frames to commence operations include three months to let a contract, five months for recruitment, and four months to obtain security clearances for over 100 persons. During initial staffing, we also expect a high failure rate during background investigations, especially among entry-level and guard-force employees. A staff or contract staff guard force may advance the start of the security segment somewhat because of the elimination of the three-month contracting phase.

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9. Alternatives: There are few viable alternatives to an O&M contract with or without staff/contract staff guards.

STAT a. In the event CIA decides not to take responsibility [redacted] GSA intends to continue to maintain the facility at its present level of effort. In the face of further budgetary pressures, maintenance of existing service will be a very real challenge to GSA management. They have made clear their inability to increase their commitment to CIA. Conversely, CIA maintains that the present level of support is unacceptable.

b. Suggestions that GSA retain their present responsibilities under SLUC, allowing CIA to contract independently for CIA-funded requirements were judged unacceptable to GSA. Potential problems of fragmenting operating responsibility for the building are readily apparent.

c. CIA could take over the building and fund an O&M contract at the level of present payments to GSA. A scaled-down effort is possible, but reductions are limited by the high proportion of fixed utility costs to total costs and by certain added costs necessitated by CIA security requirements. At lower staff levels, the contractor will be expected to sustain the plant at its present (unacceptable) condition. Upgrading the plant to CIA standards will require separate, one-time contracts to eliminate the backlog of requirements and correct years of gradual deterioration.

STAT 10. Administration Within CIA: The reason CIA is interested in operating [redacted] is a belief that more responsive service can be obtained by assuming control from GSA. It follows that the occupants [redacted] are better able to manage their operation and allocate their resources. In addition, the program organization (National Photographic Interpretation Center) will be better able to justify and defend resource requests as part of a vital national intelligence asset. If CIA takes over the building, it is proposed that budget and management authority rest with [redacted] occupants. Directorate of Administration personnel qualified to manage the building operation are presently on assignment there.

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STAT 11. Conclusions: The level of support provided by GSA is unacceptable to [redacted] occupants, and GSA is unable to divert more resources to support the building. For an estimated \$7.8 million in recurring operating and capital costs, which represents a 24 percent increase over our present payments to GSA, CIA can expect to get from 20 to 50

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percent improvement in service levels. Additionally, CIA can expect \$515,000 in first-year start-up costs. An indirect cost of moving away from GSA is that CIA accepts full liability for unprogrammed expenses due to failures. We do not anticipate any insurmountable problems in operating the building, although there are many elements which require further negotiation. Based on the inability of GSA to foresee an improvement in their support, it is recommended that CIA request a revocable permit [redacted] with authority to operate and maintain it. The precepts on which a delegation would be based are identified in Attachment F. It is recommended that CIA rely primarily on an O&M contractor to perform custodial and maintenance services. The Office of Security maintains that the guard segment be accomplished by staff or contract staff employees, which will require the provision of staff positions. Whether a single O&M contractor is used, or an O&M contractor with staff/contract staff guards, it is recommended that all required resources and management be made the responsibility [redacted] occupants (National Photographic Interpretation Center).

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Attachments:

- A. [redacted]
Cost of Operations
- B. Comparison of Costs (GSA &
Contractor Operations)
- C. [redacted] Proposed
Incentive-Type Contract
(FY-1981 Dollars)
- D. Comparison of Guard Cost (O&M
Contractor vs. Staff)
- E. Major Repair/Alteration Costs
- F. Precepts

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PRECEPTS

PROPOSED AGREEMENT BETWEEN CIA AND GSA
TRANSFERRING OPERATIONAL RESPONSIBILITY

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[REDACTED]

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1. GSA will issue a revocable permit (delegation) authorizing CIA to operate the [REDACTED] facility in the [REDACTED]. At an agreed upon time, GSA will cease to provide all support [REDACTED] as outlined in paragraph 2 below. CIA will cease all SLUC payments and reimbursements to GSA associated with the operation [REDACTED].

2. Responsibilities being transferred to CIA include:

- Protective services at and inside the outer perimeter
- Fire prevention and protection
- Compliance with occupational safety and health requirements
- Custodial services for the building and grounds
- Utilities service
- Operation and maintenance of the facility, including the outer perimeter
- Repairs and alterations within and including the perimeter
- Construction of new facilities
- Operation of concession facilities.

3. Transition from GSA to CIA will be accomplished within the following guidelines:

a. GSA support functions are categorized as custodial, facility operations, and guard; each of these segments may be transferred individually.

b. GSA will continue to provide the current level of support to [REDACTED] until such time as a CIA contractor is prepared to assume operational responsibility for a

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particular segment. CIA will attempt to have a contractor in place in all segments by April 1982.

c. Beginning 1 October 1982, CIA will assume direct responsibility for payment of utilities with corresponding reductions in SLUC payments. CIA will make quarterly payments to GSA for SLUC and overtime labor for utility service. If CIA assumes responsibility during a quarter, pro rata adjustments in payments will be made. Only emergency work orders will be levied on GSA during the transition period. Authority to contract for maintenance, repairs, and alterations in the building will remain with GSA until the facility operations function is transferred to CIA.

4. As legal owner [redacted], GSA will apprise CIA of any restrictions imposed from outside GSA that may limit or alter the use of any of GSA's [redacted] facilities; CIA and GSA will cooperate in making representations before local planning and regulatory bodies such as the National Capital Planning Commission.

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5. By mutual agreement between CIA and GSA, GSA will perform construction design and management services for major projects on a reimbursable basis.

6. GSA will identify those of the following repairs and alterations that GSA will fund and pursue to completion. GSA construction schedules will be coordinated with the CIA building manager.

- a. Chiller Replacement: Walkway:
Platform Ventilation
PCN 88377 - Estimated Cost \$443,737
- b. Fire Protection Improvements
PCN 98273 - Estimated Cost \$376,366
- c. Building Inspection
PCN 07037 - Estimated Cost \$4,000
- d. Completion of [redacted]
[redacted] Master Plan
Estimated Cost - \$29,000
- e. Installation of stair treads
Works inventory number 0052
Estimated Cost - \$10,000
- f. Chilled water and steam line insulation
Works inventory number 0089
Estimated Cost - \$17,000
- g. Energy conservation study
Works inventory number 0106
Estimated Cost - \$33,300.

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7. GSA will attempt to complete all minor GSA-funded and reimbursable work orders outstanding prior to the effective transfer of operating authority. Funds for all reimbursable work not commenced or completed by the transfer date will be returned to CIA with identifying work orders.

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